



To: Jeannine Durkin, Superintendent
 From: Billie Jo Turner, Assistant Superintendent
 RE: Response to Motion on New Maintenance of Effort Agreement
 Date: April 4, 2019

This is in response to the motions made by Gerard Nutter at the 4/3/19 meeting: “**School Committee vote to request City provide the minimum 42% of their NET School spending requirement in the form of a cash contribution to the Lowell Public School System in the next Maintenance of Effort Agreement**” and that the “**School Committee request in the next Maintenance of Effort Agreement that the City CFO or their representative attend the 2nd School Committee meeting every January with a detailed report on Maintenance of Effort charges year to date and October with a detailed report on Maintenance of Effort charges for the previous school year.**”

Though the two motions listed above are requests to the City, both require some background information that is provided below.

Massachusetts public schools are funded based on a “**foundation budget**” intended to assure a fair and adequate minimum spending for each district. This “fair and adequate” amount is determined using the October 1st student count data multiplied by an assigned amount for each student based on defined criteria/components. See Attachment 1. Once this “**minimum spending**” amount is determined (See A on Attachment 1 and 2), the state determines the amount that the local city can afford using property taxes and income to calculate its “ability to pay.” This is the “**Required Minimum Contribution**” that the State requires the City to pay (See B on Attachment 2). The **Chapter 70 state aid** is calculated taking the required Foundation Budget total *less* the Required City Contribution. Thus, the funding sources for public schools include the “required minimum contribution” by the City and state aid.

REQUIRED
FOUNDATION BUDGET LESS CITY CONTRIBUTION = CHAPTER 70 ASSISTANCE

The City funds its Required Minimum Contribution with both a contribution towards our Education budget and City charge offs that are reflected in the Maintenance of Effort Agreement.

Of the \$44.6 million of Required Minimum Contribution on Attachment 2, the City gave us approximately \$15.7 million towards the Lowell Public Schools’ budget. The remaining \$29 million will be in charge offs listed in the Maintenance of Effort Agreement. Some of the expenses historically charged to the schools include the following:

- Approximately 44% of the City Treasurer’s Office
- Approximately 44% of the City Auditor’s Office
- Approximately 44% of the Purchasing Department
- Approximately 57% of the Administration of Insurance expense
- Medicare Tax

- Pensions, Insurance premiums for retired employees, workers compensation, unemployment, etc.
- Health Personnel (nurses) – Medicaid Reimbursement reimburses some of these costs
- School Resource Officers
- Building Maintenance
- Snow/Ice removal
- Trash removal
- Utilities
- Non-Employee insurance
- Interest paid for City bonds
- Public Safety inspections
- Parking fees
- Principal on LT Debt
- Interest on projects
- MSBA payments
- School choice
- Charter Schools (\$21.9 million)
- Greater Lowell Technical High School (\$8.5 million)
- Essex Agricultural High School (\$40,962)

Based on the motion request to provide the schools with at least a 42% minimum to directly support the LPS budget, the cash contribution would have been closer to \$18.47 million.

Since both the Required Minimum Contribution from the City and the minimum foundation spending are both REQUIRED, accountability measures were implemented. Our Foundation Budget is equal to our Net School Spending requirement. Our actual Net School Spending is measured using the data school districts provide through the annual End of Year Financial Report (See Attachment 3). On this report, we enter the actuals for the year completed and the budget for the current year. This allows DESE to verify that you met the Net School Spending requirement for the completed year and the estimate for current year NSS (Page 2 of Attachment 3). For instance, per the attached FY 18 Chapter 70 Summary (See Attachment 2), the required NSS for FY17/18 was \$183,238,262. Of this amount, the City was responsible for its “Required District Contribution” of \$44,649,981. Per the summary report from the End of Year Report (See Attachment 3), the City’s reported actual contribution to the schools was \$45,096,745. Since Lowell Public Schools received approximately \$16 million in cash (amount available for our education budget) from the City, the remaining \$29 million (approximate) reported was in non-cash charges to the schools based on the Maintenance of Effort agreement. All in all, it is important for us to understand the Maintenance of Effort agreement and actual charges reported to the state so that we can understand the City charges enough to defend the End of the Year Report we submit each year.

FOUNDATION BUDGET = MINIMUM SPENDING (for District) = NET SCHOOL SPENDING

Massachusetts Department of Elementary and Secondary Education

Office of School Finance

FY18 Chapter 70 Foundation Budget

160 Lowell

Base Foundation Components

	(1) Pre-School	(2) Half-Day	(3) Kindergarten -----	(4) Full-Day	(5) Jr High/ Middle	(6) High School	(7) ELL PK	(8) ELL K Half	(9) ELL KF - 12	(10) Vocational	(11) Special Ed In District	(12) Special Ed Out of Dist	(13) Economically Disadvantaged	TOTAL*
Foundation Enrollment	498	1	952	4,849	2,686	3,076	119	0	4,021	131	590	156	9,255	16,025
1 Administration	91,647	184	350,374	1,784,526	985,555	1,132,091	21,901	0	1,479,889	48,213	1,498,689	396,263	0	7,792,432
2 Instructional Leadership	165,520	332	632,313	3,223,227	1,783,438	2,044,579	39,552	0	2,672,839	87,078	0	0	0	10,654,479
3 Classroom and Specialist Teachers	758,947	1,524	2,901,667	14,779,413	7,204,389	12,132,044	273,126	0	18,457,717	878,421	4,905,292	0	0	92,611,542
4 Other Teaching Services	194,648	391	744,216	3,790,657	1,511,493	1,441,044	37,192	0	2,513,447	61,371	4,617,352	6,054	0	14,917,866
5 Professional Development	30,014	60	114,311	584,386	351,221	389,975	9,716	0	656,468	27,459	238,561	0	666,360	3,069,553
6 Instructional Equipment & Tech	109,349	221	419,975	2,139,136	1,184,929	2,171,195	26,249	0	1,773,864	161,814	208,223	0	0	8,195,454
7 Guidance and Psychological	55,218	111	211,144	1,075,460	792,988	1,138,466	17,564	0	1,187,120	48,480	0	0	0	4,526,451
8 Pupil Services	21,462	44	84,004	641,765	580,559	1,533,386	7,874	0	532,179	65,304	0	0	0	3,467,178
9 Operations and Maintenance	210,754	423	805,754	4,104,097	2,464,647	2,736,717	68,179	0	4,607,302	218,128	1,674,107	0	0	21,566,381
10 Employee Benefits/Fixed Charges	215,255	432	822,960	4,191,944	2,295,883	2,448,259	61,886	0	4,124,735	161,337	1,940,470	0	3,073,566	19,336,548
11 Special Ed Tuition	0	0	0	0	0	0	0	0	0	0	0	3,762,311	0	3,762,311
12 Total	1,853,815	3,723	7,087,720	36,315,211	19,160,003	27,168,656	563,240	0	38,005,561	1,757,605	15,122,693	4,164,629	38,694,322	189,897,477
13 Wage Adjustment Factor				10.0%										
14 Economically Disadvantaged Decile				10										

Source: Massachusetts Department of Elementary and Secondary Education, Office of School Finance, FY18 Chapter 70 Foundation Budget.

* Total foundation enrollment does not include columns 11 through 13, because those columns represent increments above the base. The pupils are already counted in columns 1 to 10.

Total foundation enrollment assigns pupils in pre-kindergarten and half-time kindergarten and enrollment count of .5.

Special education in-district headcount is an assumed percentage, representing 3.75 percent of K to 12 non-vocational enrollment and 4.75 percent of vocational enrollment.

Special education out-of-district headcount is also an assumed percentage, representing 1 percent of non-vocational K-12 enrollment.

Economically disadvantaged headcounts are the number of pupils in columns 1 through 10 who are directly certified as eligible for the Supplemental Nutrition Assistance Program (SNAP); the Transitional Assistance for Families with Dependent Children (TAFDC); the Department of Children and Families' (DCF) foster care program; and MassHealth (Medicaid).

Each component of the foundation budget represents the enrollment on line 1 multiplied by the appropriate state-wide foundation allotment.

The wage adjustment factor is applied to underlying rates in all functions except instructional equipment, benefits and special education tuition.

The foundation budget shown on this page may differ from the final number used in the formula, due to rounding error.

A Foundation Budget
estimated by
State for FY18

funded by
Rea City Contribution
and
Cash
Change offs
(Mort of Effort)

Attachment 1

Massachusetts Department of Elementary and Secondary Education

FY18 Chapter 70 Summary

160 Lowell

Aid Calculation FY18

Prior Year Aid

1 Chapter 70 FY17

138,588,381

Foundation Aid

2 Foundation budget FY18

189,897,177

3 Required district contribution FY18

45,829,544

4 Foundation aid (2 -3)

144,067,633

5 Increase over FY17 (4 -1)

5,479,252

6 Minimum \$30 per pupil increase

0

7 Reduction to foundation

0

8 Additional aid

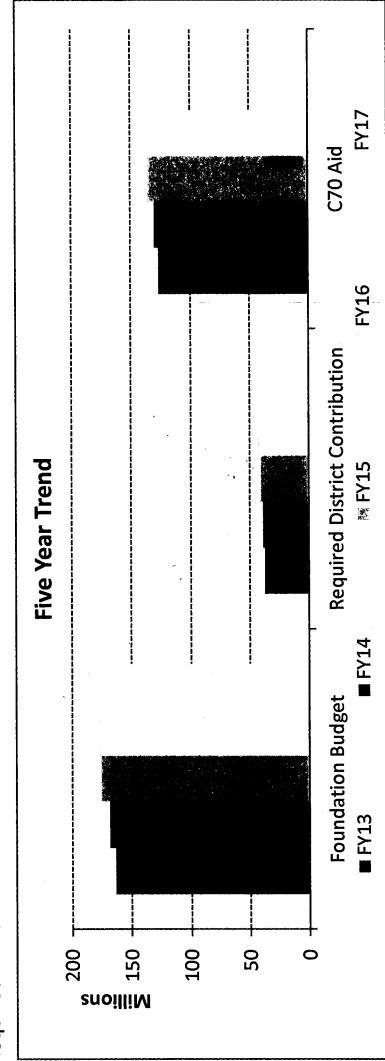
0

9 sum of line 1, 5 minus 7

144,067,633

Comparison to FY17

	FY17	FY18	Change	Pct Chg
Enrollment	15,616	16,025	409	2.62%
Foundation budget	183,238,362	189,897,177	6,658,815	3.63%
Required district contribution	44,649,981	45,829,544	1,179,563	2.64%
Chapter 70 aid	138,588,381	144,067,633	5,479,252	3.95%
Required net school spending (NSS)	183,238,362	189,897,177	6,658,815	3.63%
Target aid share	73.71%	74.04%		
C70 % of foundation	75.63%	75.87%		
Required NSS % of foundation	100.00%	100.00%		



Minimum Aid

6 Minimum \$30 per pupil increase

0

Non-Operating District Reduction to Foundation

7 Reduction to foundation

0

Transitional Relief for Significant and Negative Impact

8 Additional aid

0

of the Change in Low-income Enrollment Measurement

9 sum of line 1, 5 minus 7

144,067,633

FY18 Chapter 70 Aid

FY18 Chapter 70 Aid

144,067,633

Required District Contribution

Required District Contribution

144,067,633

FY16

FY16

144,067,633

FY17

FY17

144,067,633

C70 Aid
FY17

FY16

FY15

FY14

FY13

144,067,633

Attachment 2

Attachment 3

FY18 Net School Spending 160 Lowell		School Committee	City or Town	Total
10	1. Administration (1000)	3,498,964	<FY18 Budget	4,932,657
11	2. Instruction (2000)	117,314,450	0	117,314,450
12	3. Attendance-Health (3100, 3200)	601,424	<FY18 Budget	2,112,902
13	4. Food Services (3400)	0		0
14	5. Athletics/Student Activities/ Security (3500,3600)	1,908,402	1,072,058	2,980,460
15	6. Maintenance (4000)	4,642,231	4,447,772	9,090,003
16	7. Employee Benefits (5100)	1,112,707	6,573,692	7,686,399
17	8. Insurance (5200)	16,047,806	2,589,384	18,637,190
18	9. Retired Employee Insurance (5250)	0	7,210,478	7,210,478
19	10. Rentals (5300)	547,576	0	547,576
20	11. Short Term Interest RAN's (5400)	0	0	0
21	12. Tuition (9000)	6,265,033	21,422,747	27,687,780
22	13. Total School Spending (1 through 12)	151,938,553	46,261,302	198,199,895
23	14. School Revenues			
24	14a) FY18 School Revenues	0	<FY18 Budget	0
25	14b) FY18 Charter Reimbursement		1,164,557	1,164,557
26	14c) Subtotal, School Revenues (14a+14b)	0	1,164,557	1,164,557
27				
28	15. Net School Spending (13 - 14c)	151,938,553	45,096,745	197,035,338
29	16. FY18 Required Net School Spending			189,897,177
30	17. FY17 Carry-Over Into FY18			0
31	18. Total FY18 Requirement (16 + 17)			189,897,177
32	19. Unexpended Net School Spending (18 - 15)			0
33	20. Percent Unexpended (19 / 16)			0.00%
34	21. FY18 Carry-Over (19 or 5% of 16 or 0 if 17 > 0)			0
35	22. Penalty (19 - 21)			0

Was Retired Employee Health Insurance
Included in Schedule 19
of the FY19 End-of-Year Report?
 YES
 NO

FY19 Budgeted Net School Spending 160 Lowell		School Committee	City or Town	Total
40	23. Administration (1000)	4,224,320	1,706,370	5,930,690
41	24. Instruction (2000)	119,056,605	0	119,056,605
42	25. Attendance-Health (3100, 3200)	646,400	1,839,050	2,485,450
43	26. Food Services (3400)	0		0
44	27. Athletics/Student Activities/ Security (3500,3600)	1,769,847	1,058,653	Page 32 of 41,905

45	28. Maintenance (400)		4,250,480	4,589,204	8,839,684
46	29. Employee Benefits (5100)		710,000	6,573,692	7,283,692
47	30. Insurance (5200)		16,409,923	2,589,394	18,999,307
48	31. Retired Employee Insurance (5250)		0	7,210,478	7,210,478
49	32. Rentals (5300)		685,686	0	685,686
50	33. Short Term Interest RAN's (5400)		0	0	0
51	34. Tuition (9000)		6,043,523	23,666,711	29,710,234
52	35. Total School Spending (23 through 34)		153,796,784	49,246,947	203,043,731
53	36. Revenues				
54	36a) FY19 Budgeted School Revenues		0	0	0
55	36b) Projected FY19 Charter Reimbursement (Local Districts)			1,359,396	1,359,396
56	36c) Subtotal, Net School Spending Revenues (36a+36b)		0	1,359,396	1,359,396
57					
58	37. Net School Spending (35 - 36)		153,796,784	47,887,551	201,684,335
59	38. FY19 Required Net School Spending				198,336,328
60	39. Carry-Over Into FY19 (21)				0
61	40. Total FY19 Requirement (38 + 39)				198,336,328
62	41. Deficiency (40 - 37)				0

Comparison of Selected Data Items Reported in FY16 through FY18

160 Lowell

	FY16	FY17	FY18	Change FY17- FY18
68	916,388	1,095,021	926,379	-15.40%
69				0
70	65,561	66,435	82,824	24.67%
71	293,838	320,208	325,561	1.67%
72	408,907	405,526	442,000	8.99%
73	0	0	0	0.00%
74	1,390,909	1,294,044	1,139,949	-11.91%
75	114,850	116,153	96,816	-16.65%
76	165,282	158,125	196,229	24.10%
77	796,549	0	0	0.00%
78	1,432,224	1,338,476	1,215,585	-9.18%
79	779,518	716,565	601,424	-16.07%
80	0	0	0	0.00%
81	7,758,169	7,817,529	10,566,136	35.18%
82	0	0	0	0.00%
83	884,425	976,447	996,742	2.08%
84	638,330	448,403	516,599	15.21%
85	0	0	0	0.00%
86	41,087	36,875	28,228	-23.45%

Please Review
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